



# STATE OF CONNECTICUT DEPARTMENT OF TRANSPORTATION

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Office of the  
Commissioner

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**Public Hearing – March 20, 2017**  
**Government Administration and Elections Committee**

**Testimony Submitted by Commissioner James Redeker**  
**Department of Transportation**

## **H.B. 7278 – AN ACT CONCERNING THE CONVEYANCE OF CERTAIN PARCELS OF STATE LAND**

The Department of Transportation (CTDOT) offers the following testimony on several sections included in this year's conveyance bill. Sections 1, 2, 4, 6, 8, and 11-15 all impact CTDOT.

The Department is strongly opposed to the conveyance of Union Station and its associated parking garage to the City of New Haven (City) and/or New Haven Parking Authority (NHPA) as detailed in Sec. 8 of H.B. 7278.

The Connecticut rail system is the backbone of the state's economy. The New Haven Line, the busiest rail line in the nation, is the principal rail line in that statewide system, moving more than 140,000 people daily and 41 million people annually.

New Haven Union Station (Union Station or station) is a major transportation terminal serving State of Connecticut-funded and contracted commuter and intercity passenger rail services on the New Haven Line, Shore Line East, Hartford Line as well as Amtrak regional and Acela trains to Boston, New York City, Washington, DC, Vermont, Virginia and intermediate destinations.

Union Station is integral to this transportation network with the customer experience beginning at the front door or nearby parking space and continuing to the boarding platforms and trains. The station is first and foremost a transportation center, featuring ticket windows, ticket machines, baggage services, departure boards, customer service and other transportation-oriented amenities and remains an important base of operations for the railroad.

In addition to serving a vital need on the heavily-traveled rail corridors, Union Station also serves as an intracity and intercity bus station serving a large number of commuters daily. The Union Station Connector Downtown Loop and Union Station Shuttle provide easy access to locations not within walking distance of the station and also allows commuters to connect to other CTtransit routes. Privately-operated intercity bus companies also operate at Union Station, providing a vital link to areas outside of New Haven. Yale also operates shuttles to and from Union Station.

The proposed transfer of the station and parking garage to the City/NHPA would shift the focus from the core transportation mission and divert revenue away from the rail and transit hub at a time when it is needed most. At its core, the proposed transfer is fundamentally a way to divert transportation revenues to the City of New Haven.

The proposed transfer is contrary to the broader public interest. The existing 35-year lease agreement is outdated, obsolete, and totally inadequate. It lacks any contemporary lease terms for operating, maintenance, capital improvement or customer satisfaction standards. In addition, the agreement falls short in terms of transparency and audit provisions to ensure the State and the taxpayers are getting the best value. Finally, the agreement has no incentives or penalties regarding financial performance and accountability or return of net revenues to the State and the customers of the facility.

CTDOT subsidizes rail service operations and maintenance for the New Haven Line. That subsidy does not include funding for stations and parking operations and maintenance. Across the New Haven Line, parking leases require parking operators to operate and maintain parking and stations, and use any net parking revenues to support station and platform maintenance and minor capital improvements. A 2006 report indicated that there was a \$120 million backlog of state-of-good repair needs for stations along the New Haven Line.

The same principle applies to the New Haven Parking Authority. The 35-year lease provisions require that any net revenue be split 50% to the State of Connecticut and 50% to a Capital Reserve Account for the station and platforms.

There are some important facts to share about the financial performance of the New Haven Parking Authority:

- Expenses over 5 years have gone up 33%. Revenues over 5 years have gone up 1.9%. Net revenues are down 53%, bringing in \$1.2 million less revenue this year than in 2012.
- The NHPA allocated an administrative fee to CTDOT of \$981,182 in 2016. This has grown 12% in 5 years.
- This charge represents 68% the total administrative fees of the Parking Authority, but the expenses for the New Haven transportation facilities represent only 52% of the total Parking Authority expenses.
- Administrative fees represent 18% of operating expenses, an exorbitant fee.
- Administrative fees amount to \$5 million in the past 5 years, and this revenue goes directly to the City of New Haven.
- Net revenues are distributed 50% to the State of Connecticut and 50% to a Capital Reserve account. Net contributions to the State and the Capital reserve account have declined 18% in just the past 3 years.
- In addition to the declining net revenues, the Parking Authority has made two new PILOT payments to the City of New Haven since June of 2015 totaling \$1.7 million. The audit report for the Parking Authority is not transparent about the source of the funds for these payments.

Looking retrospectively, audits of the New Haven Parking Authority indicate that almost \$1million of administrative fees have been assessed ANNUALLY to the overhead of the New Haven Station. This represents a loss of potential net revenues that could have been used to maintain or upgrade the station facility. In addition, the \$1.7 million of PILOT payments from the Parking Authority to the City could also have been invested in upgrades to the station.

If the property was transferred to the New Haven Parking Authority, it is not clear what the net revenue from the operation would be used for. Testimony by Mayor Harp on March 20 suggested this revenue would be used to support investments in the local community, not the train station.

While the net revenues have declined continuously over the last 3 years, between \$2 million and \$2.5 million has been deposited annually in a capital reserve account to be used for improvements to the facility. If this net revenue was not dedicated to the facility, maintenance and capital improvement costs would require increased State subsidy and/or fare increases for customers to replace the dedicated revenues. \$2.5 million per year translates into a 1% fare increase that would be borne by all New Haven Line riders.

The conveyance of the New Haven station and parking to the Parking Authority is likely to have significant negative impacts. Currently the CTDOT controls the parking fees allowed at the facility. It is clear from the audits that net revenue is declining precipitously as operating expenses are growing close to 7% per year. Without State control, it is unclear what the Parking Authority could do regarding parking fees. However, given the trends of rapid expense growth and minimal revenue growth, parking fees would be outside the control of the state and could be raised whenever the Parking Authority decided to change them.

CTDOT plans to competitively procure station and parking management services to ensure the best customer service outcomes. If the facility is transferred to the Parking Authority, there is no guarantee, and certainly less direct legislative control of customer outcomes than if CTDOT retains responsibility.

Finally, the Federal government paid for the renovation of the station, and CTDOT has invested almost \$15 million to address backlog state of good repair costs at in the station. This has enabled stability in the rates that are charged. If the station was transferred, federal funds that have been invested in the station would have to be repaid. Also, state bond funds that have been used for capital improvements were issued between 2010 and 2017. A transfer would also require the state bonds to be defeased. The federal funding and estimated debt service is \$22 million. A transfer of the facility would require federal approval, and it is not clear if that would be granted. However if CTDOT relinquished ownership, all federal responsibilities and all funding for station improvements and meeting all federal compliance and regulatory requirements would be the full responsibility of the Parking Authority.

The Department has negotiated an extension of this agreement with the City/NHPA for an additional three years through June 2020, during which time, the Department will issue competitive solicitations for 1) station operations & maintenance, 2) commercial/retail management, 3) parking & revenue control. This three-pronged strategy is essential to retain the most qualified expertise in each area. The City/NHPA is uniquely positioned to submit proposals for any or all of those solicitations.

The competitive solicitations are consistent with how the Department is procuring services elsewhere. For example, the operation and maintenance of CTfastrak engages a variety of contractors and service providers to provide the best possible customer experience. Specialized vendors have been retained for fare collection, snow removal, landscape management, and bus operations. This approach has allowed the Department to achieve the highest standards for operational performance and customer satisfaction.

In addition to the reasons outlined above, CTDOT believes it is critical to enter into a new lease with performance standards, incentives and penalties based on the ongoing performance of the Parking Authority. There is more than ample evidence to indicate that the current lease does not provide the services that would be expected from a responsive station and parking manager.

In just the last week, we can provide examples of sub-standard performance by the Parking Authority.

- During the snow storm on Tuesday, the front of the station was not plowed. Cars, taxis, buses, and pedestrians could not access the station. Amtrak station management had to escalate a request to have the snow removed to CTDOT.

- On Thursday, ice fell from the west end of the station, falling on two Amtrak employees and two customers. No incident report has been filed.
- An ADA door activator is missing, making the building inaccessible – a clear civil rights violation.
- Amtrak station management identified a two-page list of maintenance issues over two months ago with no remedial action to date.
- Friday, the station entrances and floors were filthy. Clearly salt was applied during the storm on Tuesday, but the floors had not been mopped by Friday.
- Last week, there were no hand towels in the main level ladies room, and the hand drier was inoperable.

Additionally, the Department and the Federal government have invested millions of dollars to upgrade the station. As a result, the Department is responsible for continuing to maintain the asset and provide written maintenance records, plans and procedures to prove the Department is protecting the federal and state funds that have been invested. Any change to the ownership of the station and the responsibility of the Department to protect the asset would have to be approved by federal funding agencies, and would likely require payback of federal funds.

Let me turn to the issue of the new parking garage in New Haven. There is clear demand for an additional parking garage to serve the New Haven Line. That pressure will intensify with the opening of the new Hartford Line service between Springfield and New Haven in 2018. It has been more than a decade during which no progress was made to design and construct an additional parking garage next to the train station. Differences of opinion about the location of the garage, the potential for the garage to be part of a more expansive TOD project at the station, and whether the Parking Authority should build the garage instead of the DOT resulted in absolutely no progress on delivery of much-needed additional parking. At one point, the City suggested that a parking facility could be funded with bonds based on future revenue from a new parking garage. A jointly funded study by the DOT and the City demonstrated conclusively that parking revenue from a new garage was inadequate to fund the construction of a garage.

In 2016, Governor Malloy included funding for the new parking garage as part of the Let's Go CT Ramp-Up funding which the Legislature authorized. With that funding, the DOT has progressed design on a new parking garage and is committed to completing construction within 2 years. The total cost of a second garage is estimated to be between \$50 and \$70 million. If the train station facility was transferred to the Parking Authority, funding for a new parking garage would be the full responsibility of the New Haven Parking Authority. Based on the analysis performed regarding the funding possibilities, a new parking garage could never be built without CTDOT funding.

If the Parking Authority decided to bond a new parking garage with future parking revenues, the total borrowing costs for a new facility would consume not only the new revenues, but also impact current net revenues at the station. Clearly, that approach would have major detrimental impacts to the condition of the parking and station facilities in New Haven.

***Below are the Department's comments on several other sections of H.B. 7278:***

#### **Section 1 – East Hartford**

The Department opposes this section as written. The original conveyance included language that allowed the State to receive funds for the sale of the property which were to be deposited in the State Transportation Fund as required by the U.S. Department of Transportation Federal Highway Administration (FHWA). The property outlined in this section was purchased with federal funding and a

conveyance for no monetary consideration or less than fair market value must be approved by FHWA. A conveyance for no monetary consideration or less than fair market value not approved by FHWA would require the state to reimburse FHWA the federal share of the value of the property. Should this get passed, the Department would be in the position where it would be required to obtain a funding source to reimburse FHWA.

## **Section 2 - Portland**

The Department opposes the conveyance of the parcel as it is an active railroad with an active rail freight customer. This property, part of the Middletown Cluster, is not available for release as portions of the property are included in the Department's operating agreement with Providence & Worcester Railroad. At this time, the Department is finalizing a new five-year operating agreement with Genesee & Wyoming (parent company that purchased the P&W Railroad in 2016). Also the potential shared use of this rail corridor with the proposed pedestrian trail poses a public safety concern. The Department does however support the Town of Portland's goals to extend the Airline Trail from its current terminus in Town of East Hampton to the Town of Portland. If the Town of Portland is so inclined, the Department is willing to participate in a study to evaluate options to extend the Airline Trail via alternate routings.

## **Section 4 - Fairfield**

The Department does not take issue with this section.

## **Sec.6 –Norwalk**

The Department opposes this section as written, as it requires the Department to transfer property to the City who will then transfer it to a private entity for no monetary consideration. This circumvents the public bid process as stated in Sec. 13a-80 of the Connecticut General Statutes and does not allow the Department to generate income from the sale of the property. CTDOT recommends the City purchase the property for fair market value as determined by the average of two appraisals.

## **Section 11 - New Haven (Route 34 area)**

The Department opposes this section, as it requires the Department to transfer property to the City for no monetary consideration for to be used for mixed use purposes in manner consistent with the Route 34 west community planning initiative. The Department does not have a copy of this initiative to determine what said uses would be. In addition, this language circumvents the public bid process as stated in Sec. 13a-80 of the Connecticut General Statutes and does not allow the Department to generate income from the sale of the property. CTDOT recommends the City purchase the property for fair market value as determined by the average of two appraisals.

## **Section 12- New Haven, 25 Kendall**

The Department opposes this section. This property was purchased with federal funding and as such the Department is required to reimburse FHWA for its participation and any funds received from the sale of the property must be deposited in the State Transportation Fund as required by FHWA. Therefore, a conveyance for no monetary consideration or less than fair market value must be approved by the FHWA. A conveyance for no monetary consideration or less than fair market value not approved by FHWA would require the state to reimburse FHWA the federal share of the value of the property. Should this get passed, the Department would be in the position where it would be required to obtain a funding source to reimburse FHWA.

## **Section 13 - New Haven, 16 Rosette Street**

The Department is supportive of the proposed conveyance of property known as 16-18 Rosette Street to the City of New Haven, but requests a 20-foot easement along the southerly property line for future transportation purposes. The property is currently vacant and requires regular maintenance to remove litter and perform brush control.

**Sec 14 - New Haven, 99 Stiles Street**

The Department opposes this section of the bill. This property was purchased with federal funding and as such the Department is required to reimburse FHWA for its participation and any funds received from the sale of the property must be deposited in the State Transportation Fund as required by FHWA. Therefore, a conveyance for no monetary consideration or less than fair market value must be approved by the FHWA. A conveyance for no monetary consideration or less than fair market value not approved by FHWA would require the state to reimburse FHWA the federal share of the value of the property. Should this get passed, the Department would be in the position where it would be required to obtain a funding source to reimburse FHWA.

In addition, the use of the parcel as “accessory side yard purposes” should be better defined. The City does not own the parcel adjacent to this property and it appears that it will be utilized for a private entity to use as a side yard. Per the language in this section, if the City leases this parcel at all, it will revert to the State.

**Section 15 - New Haven, 195 Derby Avenue**

The Department does not take issue with this section.

For further information or questions, please contact Pam Sucato ([pamela.sucato@ct.gov](mailto:pamela.sucato@ct.gov)) or CJ Strand ([carl.strand@ct.gov](mailto:carl.strand@ct.gov)) at the Department of Transportation, (860) 594-3013.